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Financial Management

**INDEPENDENT REVIEW OF COMMERCIAL
ACTIVITY COST COMPARISONS**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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This instruction implements AFR 65-5, *Cost and Economics*. It outlines the responsibilities of comptroller personnel for conducting independent reviews of Commercial Activity (CA) cost comparisons. This instruction and AFI 38-203, *Commercial Activities Program* (formerly AFR 26-1, volume 1) implement independent review requirements contained in DoD Instruction 4100.33, *Commercial Activities Program Procedures*, September 9, 1985, with Change 1.

SUMMARY OF REVISIONS

This issuance aligns the instruction with AFR 65-5.

Section A—Basis and Objectives of Independent Reviews

1. Basis for Independent Reviews. AFI 38-203 describes responsibilities for cost comparisons and requires a representative of the comptroller activity to perform independent reviews of cost comparisons. Only comptroller offices may perform independent reviews and certify CA cost comparisons.

2. Objectives of the Independent Review. An independent review substantiates the currency, reasonableness, accuracy, and completeness of the cost comparison. To "substantiate" means to show something is true by giving evidence. The evidence to be supplied in reviewing a cost comparison is documentation of a thoroughly detailed review of the elements of a cost comparison. To help ensure that the independent review meets the required level of thoroughness, AFMAN 65-507, *Independent Review Guide*, provides mandatory procedures for conducting and completing independent reviews. This manual provides detailed steps for determining if cost comparisons display the following characteristics:

- **Currency.** All cost factors and data used are the most recent ones available for the activity undergoing cost comparison.

- **Reasonableness.** Where necessary to apply principles or make interpretations of policies contained in relevant guidance, such application or interpretation is logical and appropriate to the circumstances of the function undergoing cost comparison. Sound practical judgment (i.e., common sense) should be used throughout the review and especially in interpreting guidance.
- **Accuracy.** Quantified data and calculations are correct. All references to official guidance are correct.
- **Completeness.** The entire package contains all elements required by AFI 38-203 and AFMAN 38-209, *Guidelines for Implementing the Air Force Commercial Activities Program* (formerly AFP 26-12) and each element meets all necessary requirements of format and content. Sufficient documentation is attached so that the package stands on its own.
- **Traceability.** There must be a continuous path of development from the Performance Work Statement (PWS) to the Most Efficient Organization (MEO) to AF Form 346, **Commercial Activity Cost Comparison (In-House Contract)**, or AF Form 1282, **Commercial Activity Cost Comparison**. A continuous path of development refers to the major tasks and cost drivers.

3. Cost Comparisons Requiring an Independent Review. Comptroller offices must conduct independent reviews for category 1 cost comparisons as defined in AFI 38-203 and AFMAN 38-209.

Section B—Independent Review Responsibilities

4. General Responsibilities. The following paragraphs outline general responsibilities for the independent review process. AFMAN 65-507 gives more specific details implementing each of these responsibilities. Also subsequently outlined are significant professional responsibilities which apply to the individual conducting an independent review.

5. Secretary of the Air Force (Financial Management) (SAF/FM) Responsibilities. SAF/FM provides Air Force-wide guidance for independent reviews, as specified in AFI 38-203 and AFMAN 38-209. SAF/FM coordinates with HQ USAF/PE and HQ AFMEA/CC to ensure that all independent review procedures are consistent with Commercial Activities Program guidance from the Department of Defense and the Air Force. SAF/FM provides interim and clarifying guidance on review policy for questions or circumstances not covered by AFMAN 65-507. SAF/FM also monitors training for doing independent reviews and provides major command (MAJCOM)-level comptroller personnel with information about available training programs for independent reviews.

6. MAJCOM, Field Operating Agency (FOA), and Direct Reporting Unit (DRU) Responsibilities.

MAJCOM, FOA, and DRU/FM offices provide guidance and support as follows for cost comparisons independently reviewed at MAJCOM level (category 1 cost comparisons of 20 or more workyears (full-time equivalents [FTE])):

- Designate, in writing, an FM analyst as the primary reviewer at the same time the MAJCOM announces the cost comparison.
- Assign an FM point of contact to ensure that the milestone chart developed by the cost comparison steering group provides adequate time to conduct the independent review.
- Ensure necessary MAJCOM level comptroller personnel receive training in independent review procedures.

- Report any inability to certify a cost comparison which does not comply with the requirements of this instruction to the MAJCOM Directorate of Manpower and Organization.
- Provide command-unique guidance for conducting independent reviews.
- Review and certify all category 1 cost comparisons involving 20 or more workyears.
- Establish independent review teams, when appropriate, for large, complex cost comparisons.
- Establish command policy for base-level independent review training.
- Provide base-level comptroller offices with a point of contact for base-level cost comparisons that the MAJCOM/FM level reviews.
- Report any inability to certify a cost comparison reviewed at MAJCOM/FM level to the MAJCOM comptroller.

7. Wing and Base-Level Responsibilities. Wing and base-level FM offices provide guidance and support as follows for cost comparisons that base-level FM offices independently review (i.e., category 1 cost comparisons involving fewer than 20 workyears):

- Designate in writing an FM analyst as the primary reviewer at the same time the base manpower office (MO) forms the cost comparison steering group.
- Assign an FM point of contact to ensure that the milestone chart developed by the cost comparison steering group provides adequate time to conduct the independent review.
- Ensure necessary base-level comptroller personnel receive training in independent review procedures.
- Report any inability to certify a cost comparison which does not comply with the requirements of this instruction to the base MO.
- Perform independent reviews of category 1 cost comparisons of activities performed by fewer than 20 workyears, or as assigned by MAJCOM.
- If advised by the MO that the cost comparison requires MAJCOM, FOA, or DRU certification (that is, if the category 1 cost comparison has 20 or more workyears), send the entire package to the MAJCOM, FOA, or DRU/FM office.
- Monitor any inability of analysts to perform an independent review because of prior participation in the cost comparison; reports to the MAJCOM director of financial analysis any inability to perform an independent review due to a lack of available analysts.
- Report to the base MO any inability to certify a cost comparison because of incompatibility with the requirements of this instruction.

8. Responsibilities of the Individual Reviewer. Independent evaluation is critical to ensure that cost comparisons follow Air Force guidance. Reviews must have the following qualities:

- **Technical Competence.** The reviewer must have a competent technical knowledge of all relevant guidance necessary to conduct the independent review. Important sources include AFI 38-203; AFMAN 38-209; AFMAN 65-507; the contractsolicitation; and other sources referenced in AFMAN 65-507 or as applicable to the particular cost comparison.
- **Professional and Ethical Standards.** The sensitivity of the independent review and certification process cannot be overemphasized. Personnel must protect cost comparison data according to

AFI 38-203 and AFMAN 38-209. The individual reviewer must draw on professional training and education to conduct the review according to the highest professional and ethical standards.

- **Certification.** An independent reviewer's certification of a cost comparison indicates a judgment that the cost comparison meets the requirements of this instruction. A reviewer who judges that a cost comparison does not meet the requirements of this instruction should notify his or her supervisor as soon as possible.

9. Documentation Requirement. Comptroller offices must maintain adequate documentation for independent reviews. AFMAN 37-139, *Records Disposition--Standards* (formerly AFR 4-20, volume 2) provides policies for maintaining records pertaining to the Commercial Activities Program.

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